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INTRODUCTION

The Office of Internal Audit performed an audit of Macomb County DHS for the period October 1, 2003 through January 20, 2005. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Macomb County DHS had 362 full time equated positions (FTE's) at the time of our review. Macomb County DHS provided assistance to an average 35,172 customers per month during FY 2003, with total assistance payments of \$45,695,750 during that year.

SCOPE

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Macomb County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts

Cash Disbursements

State Emergency Relief

Safe and Controlled Documents

Client Processing

Balance Sheet

Direct Supportive Services

CIMS/ASSIST Security

Payroll and Timekeeping

Procurement Card

General Ledger

Children's Protective Services

EXECUTIVE SUMMARY

Based on our audit, we concluded that Macomb County DHS's internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found that controls were adequate throughout Macomb County DHS for Cash Disbursements and Client Intake Processing. However, we found several instances of noncompliance with DHS policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Macomb County DHS has reviewed all findings and recommendations included in this report. They indicated in an e-mail on June 28, 2005 that they are in general agreement with the findings and recommendations and that corrective action had been taken.

FOLLOW UP REVIEW SUMMARY

The auditor performed an onsite follow up review of central administration and the district offices to determine if corrective action was taken on the items listed in this report. The follow up review showed that findings #2, 18, 20, 21, 22, 25, 26, 28, 29, 42, and 51 were not corrected as of the July 12, 2005 review date.

FINDINGS AND RECOMMENDATIONS

Central Administration

Modified Accrual Basis Balance Sheet

Accounts Receivable Due from State

1. Macomb County DHS balances carried forward for 12 years in the Accounts Receivable Due from State Accounts (078) listed on the Balance Sheet. Accounting

Manual Item 402-3 requires a monthly reconciliation of accounts receivable due from State to be performed by comparing the General Ledger balance for each 078 account to the total of the documents in the respective Outstanding Accounts Receivable file. Reconciling the Due from State account to the detail ensures that the account balances are correct and all transactions are accounted for.

WE RECOMMEND that Macomb County DHS make necessary adjusting entries to reconcile the Accounts Receivable Due from State Accounts.

Macomb DHS Response: Macomb County DHS and a state office accountant met with the accountant from the county to resolve the discrepancies in the Accounts Receivable Due from State (078). It was determined that the county treasurer's books were in balance and the differences in these accounts were on the Macomb DHS books. As a result of this meeting a journal voucher was prepared and approved by state office in order to bring our books in balance with the county treasurers.

Auditor Follow-up: A journal entry was prepared by the zone accountant so the 078 accounts are now in balance.

General Ledger

Cash with County Treasurer

2. Macomb County DHS did not prepare the Reconciliation of Cash with County Treasurer (DHS-3710) monthly. Accounting Manual Item 402 states the local office must use the DHS-3710 form for reconciliation and must retain it for seven years for audit purposes. Reconciling the cash account with the county treasurers records will ensure all transactions have been accounted for.

WE RECOMMEND that Macomb County DHS use the Reconciliation of Cash with County Treasurer (DHS-3710) monthly and reconcile with the county treasurer's cash account.

Macomb DHS Response: Macomb County is now balancing with the county treasurer via the preparation of the DHS-3710 Monthly reconciliation with the county treasurer.

Auditor Follow-up: The fiscal supervisor was in the process of preparing the DHS-3710, Reconciliation of Cash with the County Treasurer for the period beginning with January 2005 through the current date. As of June 28, 2005, the January 2005 reconciliation had not been completed.

Cash Receipts

Mail Opening

3. Macomb County DHS had one person retrieve the U.S. Mail from the mailbox and one person open the I.D. mail. Accounting Manual Item 431 states two people should open the mail together, one of them opening the mail and the other logging the negotiable items received. Having two employees work together in this manner helps to ensure that all items received are recorded.

WE RECOMMEND that Macomb County DHS have one mail clerk open the mail and the second mail clerk log the checks, money orders and the returned state warrants.

Macomb DHS Response: Two clerks are now assigned to work together, with one opening the mail and the second logging all checks, money orders and returned state warrants.

Auditor Follow-up: Two people retrieve the mail from the mail box outside, and open the mail together. One clerk opens the mail and the second clerk logs the negotiables. Two clerks open both the U.S. and I.D. mail.

Field Receipts not Attached to the Official Cashiers Receipts

4. Macomb County DHS Central Administration did not receive a copy of the Official Field Receipt (DHS-3543) from the district offices when monies were collected. Accounting Manual Item 432 requires that the field receipt be attached to the Official Cashiers Receipt. Obtaining the field receipt with the funds are collected in the Districts will provide the necessary audit trail.

WE RECOMMEND that the Central Administration obtain the first Copy of the Official Field Receipt with the monies collected in the Districts and attach it to the Official Cashiers Receipt as required by the Accounting Manual.

Macomb DHS Response: In accordance with Accounting Manual Item 432 p.2, the District Offices will be advised by memo of their obligation to forward the first (yellow) Copy of the Official Field Receipt with all monies collected to the Fiscal Office to be attached with the Official Cashiers Receipt.

Auditor Follow-up: Central Accounting is now attaching the yellow copy of the field receipt to the Official Cashiers Receipt.

Safe and Controlled Documents

Reconciler not Independent

5. Macomb County DHS did not have proper separation of duties for the reconciliation of the controlled documents. The person who performed the inventory and reconciliation of controlled documents had access to the controlled documents.

Accounting Manual Item 403 and Primary Internal Control Criteria for Local/District Offices require that two staff, one of whom is independent of the accounting function, perform the physical count and reconciliation, and that both staff sign and date the reconciliation form to document the reconciliation. Requiring two people (including one independent of the controlled document process) to perform the reconciliation reduces the risk of inaccurate reporting.

WE RECOMMEND that Macomb County DHS have two people perform the Monthly Reconciliation of Controlled Documents and that both staff sign and date the form.

Macomb DHS Response: Two individuals, one of whom is independent of Accounting, are now performing the Monthly Reconciliation of Controlled Documents. Both sign and date the required forms.

Auditor Follow-up: The fiscal supervisor and a non fiscal employee are performing the physical inventory and preparing the Monthly Reconciliation of Controlled Documents.

CIMS/ASSIST/LASR Security

CIMS Security Agreements

6. The Macomb County DHS, Central Administration did not have accurate, up-to-date CIMS Security Agreements (DHS-3974A) on file for 3 out of 23 employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. Five employees had a status code indicated on the DHS-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011). An accurately completed Security Agreement is necessary to document that

the employee understands the responsibilities associated with their CIMS access, and that the supervisor approves the level of CIMS access.

WE RECOMMEND that Macomb County DHS Central Administration ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

Macomb DHS Response: Current DHS-3974As have been reconciled against the most current PF-011 and are now in agreement with assigned Operator Status Codes for all employees. The Security Officer will monitor the PD-180 to ensure ongoing compliance.

Auditor Follow-up: Updated agreements have been prepared and all CIMS security agreements are on file with the correct status codes.

Conflicting CIMS Status and Job Duties

7. One fiscal clerk at Macomb County Central Administration had FLM Status on the Client Information Management System (CIMS). The Primary Internal Control Criteria for Local/District Offices recommends that fiscal staff be assigned inquiry status only (INQ). FLM status would allow the fiscal clerk to process transactions that are not necessary for the position.

WE RECOMMEND that Macomb County DHS change the fiscal clerk's status from FLM to INQ on CIMS.

Macomb DHS Response: A new DHS-3974A has been signed and this clerk's CIMS Operator Status has been changed from FLM to INQ, as recommended.

Auditor Follow-up: The fiscal clerk's CIMS status was changed from FLM to INQ, with a customization to allow her to post payments to the accounts receivable accounts.

ASSIST Enrollment Profiles and Security Agreements

8. Macomb County DHS did not have accurate, up-to-date ASSIST Enrollment Profiles (DHS-3720) and ASSIST Security Agreements (DHS-3721) on file as required by L-Letter 97-156. One of the 23 employees did not have an ASSIST Enrollment Profile and Security Agreement on file, and six employees had different job types listed on the VB9-554 report than what is recorded on the Enrollment Profile.

WE RECOMMEND that Macomb County DHS ensure that accurate, up-to-date Enrollment Profiles (DHS-3720's) and ASSIST Security Agreements (DHS-3721) are on file for all employees who have access to ASSIST.

Note: Corrective action taken while the auditor was on site.

Macomb DHS Response: DHS-3720s and DHS-3721s have been reconciled against the most recent VB9-554 to ensure that they are accurate and up-to-date for all employees. The Security Officer will monitor the VB9-173/163 to ensure ongoing compliance.

Security Officers Log Report (PD-180), (VB9-173), (VB9-163), and (LR-853)

9. Macomb County DHS did not properly reconcile the Security Officers Log Reports. The reports are being reviewed, but not reconciled to the various Security Agreements and Enrollment Profiles when changes occur, as recommended by the Primary Internal Control Criteria for Local/District Offices.

In addition, Macomb County DHS was not reconciling the Local Accounting System Replacement (LASR) Security Officer's Log Report (LR-853) to the LASR Access Security Request (LR-84), as recommended by the Primary Internal Control Criteria for Local/District Office Operations. Reconciliation of these reports against the Security Agreements and Enrollment Profiles and Access Requests ensures that all changes made are accurate and approved by supervision.

WE RECOMMEND that Macomb County DHS reconcile the Security Officers Reports with the Security Agreements, Enrollment Profiles and Access Request forms.

Macomb DHS Response: The Security Officer will reconcile all Security Agreements and Enrollment Profiles with each of the listed Log Reports and maintaining the Log Reports, as required by policy. Although not in agreement as to a conflict of duties, in order to remain in compliance with Internal Controls Reference Number 28.1.d and while facilitating reconciliation of the LR-854, the Security Officer has asked to have her current inquiry-only access removed.

Auditor Follow-up: The Office Manager is the Security Officer and is now assigned the task of reconciling the PD-180, VB9-173, and VB9-163. She also revised her LASR User Access Request form to gain access to the LASR Security Report (LR-853). The Security Officer is assigned the task of reconciling the LR853 reports when changes occur.

Payroll and Timekeeping

Reconciliation of HR-332A (B) Turnaround Report

10. Macomb County DHS did not reconcile the turnaround Time and Attendance Summary Report (HR-332A) to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Macomb County DHS reconcile the turnaround HR-332A report to the original HR-332A report.

Macomb DHS Response: The secretary who is the back up timekeeper will perform the reconciliation of the turnaround HR-332A report a week after payroll is run.

Auditor Follow-up: The auditor was informed that the backup timekeeper is now reconciling the turnaround HR-332A report a week after payroll is run.

Independent File for the Certified HR-332A Report

11. The Macomb County Central Administration timekeeper maintains the timesheets and HR-332A reports. The Primary Internal Control Criteria for Local/District Office Operations recommends that an independent person retain the HR-332A report until after it is reconciled with the HR-332A report that is printed one week after the payroll is entered and certified.

WE RECOMMEND that Central Administration have an independent person retain the HR-332A report until the payroll is reconciled a week after the payroll is prepared.

Macomb DHS Response: The backup timekeeper will maintain the payroll file until the turnaround HR-332A report is reconciled and the file will then be maintained by the timekeeper.

Auditor Follow-up: The auditor was informed that the timesheets and the HR-332A report are maintained by the backup timekeeper until the reconciliation is completed. Once the reconciliation is complete the payroll file will be kept with the timekeeper in the file drawer.

Time and Attendance Certification – Improper Separation of Duties

12. Macomb County DHS has improper separation of duties regarding time and attendance certification for the District Managers. The District Manager's time is reported on the district's TKU instead of on the Central Administration TKU. Internal control is weakened when an employee certifies his/her own time.

WE RECOMMEND that the District Manager's time be reported on Central Administration TKU.

Macomb DHS Response: Timesheets for the District Managers are now submitted to and reported on Central Administration's TKU, as recommended and required by policy.

Auditor Follow-up: The District Manager's time is now being reported on the Central Administration TKU.

Procurement Card

Reconciliation of the Transaction Detail Report

13. The Macomb County Central Administration did not obtain supporting documentation to reconcile the Procurement Card Log to the Transaction Detail Report as required by the Primary Internal Control Criteria for Local Office

Operations. Attaching the supporting documentation and the original authorization to the Procurement Card Log will ensure the card was used for appropriate purchases.

WE RECOMMEND that the Central Administration reconcile items listed on the Procurement Card Transaction Detail Report to the Procurement Card Log and supporting documentation.

Macomb DHS Response: The Procurement Card Log is now being reconciled to the Transaction Detail Report and supporting documentation, as required. In situations where supporting documentation is missing, affected offices are asked to provide a memo to certify as to the purpose and appropriate use of the procurement card.

Auditor Follow-up: The fiscal supervisor is aware that for proper reconciliation of the procurement card purchases an invoice and other supporting documentation is necessary to verify the purchase of items.

Warren District

Safe and Controlled Documents

Items Not Controlled

14. The Warren District did not properly control the McDonald's Gift Books that were on hand. Accounting Manual Item 403 states that all controlled items must have a completed Monthly Physical Inventory and Reconciliation of Controlled Documents (DHS-4351) prepared on an ongoing basis. Inventory of the controlled items reduces the risk of improper use.

WE RECOMMEND that Warren District prepare a Monthly Inventory and Reconciliation of all controlled items.

Macomb DHS Response: In accordance with Accounting Manual Item 403 all controlled items are now listed and reconciled on an DHS-4351-Monthly Physical Inventory and Reconciliation of Controlled Document by the local office Administrative Services Manager on an ongoing basis

Auditor Follow-up: The Warren District recorded the gift cards on the Monthly Inventory Reconciliation form (DHS-4351). The gift cards were distributed in April and are no longer an inventory item.

Payroll and Timekeeping

Reconciliation of HR-332A (B) Turnaround Report

15. The Warren District did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Warren District reconcile the turnaround HR-332A report to the original HR-332A report.

Macomb DHS Response: The District Manager is now reconciling the HR-332A Turnaround Report, as recommended.

Auditor Follow-up: The District Manager was reconciling the HR-332A Turnaround Report, but the District agreed during our follow-up to assign the

reconciliation duties to the Administrative Services Manager for improved internal control..

Missing Time Sheet and Payroll Information

16. At the Warren District one timesheet for the period of our review was missing, three timesheets showed different hours than reported on the HR-332A report, one timesheet was not signed by the supervisor, and one timesheet was not signed by the employee. The Primary Internal Control Criteria for DHS Local/District Office Operations recommends that the employee accurately complete the biweekly timesheet and the supervisor approve the employee timesheet.

WE RECOMMEND that the Warren District timekeeper ensure that all time sheets are prepared, signed and dated by the employee and supervisor.

Macomb DHS Response: The local office timekeeper will ensure that all time sheets are prepared, signed and dated by the employee and supervisor.

Auditor Follow-up The district obtained the missing timesheet, and signatures. The timekeeper was informed that part of the time entry process included reviewing the timesheet for time, corrections and signatures.

Independent File for the Certified HR-332A Report

17. The Warren District timekeeper maintains the timesheets and HR-332A reports. The Primary Internal Control Criteria for Local/District Office Operations recommends that an independent person retain the HR-332A report until it is reconciled to the turnaround report one week after the payroll is entered and certified.

WE RECOMMEND that the Warren District have an independent person retain the HR-332A report r until the payroll is reconciled a week after the payroll is prepared.

Macomb DHS Response: In accordance with Primary Internal Control Criteria for Local/District Office Operations, the District Manager maintains an independent file for timesheets and the HR-332 until payroll has been reconciled.

Auditor Follow-up: The auditor was informed that the Administrative Services Manager is maintaining an independent payroll file until the payroll is reconciled. Once the payroll is reconciled it is filed with the timekeeper.

State Emergency Relief

Supporting Documentation for Payments

18. The Warren District did not follow the established procedures for State Emergency Relief (SER) payments submitted to the Fiscal Office for reconciliation with the DHS-849, 93(A) Issuance Report (ES-440). We reviewed 208 payments, and found that 205 (98.5%) were supported with a copy of the bill instead of the original bill/invoice. In addition, two DHS-849's did not include the amount authorized for payment. Accounting Manual Item 404 requires that the original vendor invoice/bill be attached to the Accounting Office copy, and that all DHS-849's be reviewed for completeness. Attaching the original invoice/bill for the amount to be paid to the Fiscal Office copy of the DHS-849 helps prevent duplicate payments.

WE RECOMMEND the Warren District attach the original invoice/bill to the Fiscal Office copy of the Authorization Invoice (DHS-849) that is used for reconciliation purposes and ensure that all information is entered on the DHS-849.

Macomb DHS Response: The local staff will attach the original invoice/bill to the Fiscal Office copy of the Authorized Invoice (DHS 849). The local office fiscal clerk will reconcile and verify that all information is entered on the DHS 849.

Auditor Follow-up: The district office has corrected its procedure for obtaining original bills. We reviewed a small sample and found an original bill or fax attached to the DHS-849 payment document in all cases, except for one payment document that was filed without an invoice. The clerk stated she would follow up with the worker to obtain the bill.

Payment Authorization Permanent Files

19. The Warren District did not maintain a file of Authorization/Invoices (DHS-849) in alphabetical or case number order by year, as required by Accounting Manual Item 404. Maintaining DHS-849's in alphabetical or case number order provides an audit trail to easily detect how many DHS-849 payments a client has received, and makes the DHS-849's easy to retrieve if needed at a later date.

WE RECOMMEND that the Warren District maintain a permanent file of Authorization/Invoices in alpha or case number order.

Macomb DHS Response: The local office will maintain a separate permanent file of Authorization/Invoices in alpha order.

Auditor Follow-up: The district is maintaining a file of Authorization Invoices (DHS-849) in alpha order.

Supporting Documentation for Payments

20. The Warren District did not reconcile the Medical Authorization Invoices (DHS-93's). Accounting Manual Item 404 recommends that the district office reconcile the DHS-93's to the ES-440 report when received.

WE RECOMMEND that the Warren District reconcile the DHS-93's to the ES-440 Reports.

Macomb DHS Response: In accordance with Accounting Manual Item 404, the local office will reconcile all DHS-93's to the ES-440 when received.

Auditor Follow-up: The district is not reconciling the DHS-93's.

Cash Receipts

DHS-4729 not Being Used

21. The Warren District did not use the DHS-4729 to record checks for deposit when received in the mail, as required by Accounting Manual Item 431. Instead, they used the Record and Disposition of Checks/Warrants (DHS-61), to record all items received in the mail, (checks for deposit, EBT cards and returned state warrants.)

WE RECOMMEND that the Warren District record checks for deposit on the DHS-4729 instead of the DHS-61.

Macomb DHS Response: The local office fiscal clerk will record checks for deposit on the DHS-4729.

Auditor Follow-up: The auditor interviewed the mail room staff and they indicated they did not prepare the DHS-4729 when checks for deposit are received. The

clerical supervisor stated she would review with them again that if negotiables for deposit are received through the mail, they are to be recorded on the DHS-4729.

Reconciliation of the DHS-61 Log

22. The Warren District did not reconcile the DHS-61 log on a weekly basis as required by Accounting Manual Item 462. Reconciling the DHS-61 log on a weekly basis will help to ensure that all returned warrants are accounted for.

WE RECOMMEND that the Warren District perform a weekly reconciliation of checks/warrants on hand to the DHS-61, and keep posting of disposition information on the DHS-61 up-to-date.

Macomb DHS Response: In accordance with Accounting Manual Item 462, the local office fiscal clerk will reconcile all checks/warrants to the DHS-61 on a weekly basis and ensure that all posting of dispositions are up to date.

Auditor Follow-up: The fiscal clerk is not currently reconciling the DHS-61 on a weekly basis.

Permanent File of DHS-138/2362's

23. The Warren District did not maintain the permanent file of Action Taken on State Treasurer's Warrants by Local Offices (DHS-138's) and Services Warrant Rewrite/Disposition Requests (DHS-2362) in alpha or case number order as required by Accounting Manual Item 462. Instead the district was maintaining the DHS-138/2362's with the attached DHS-61 log by month. Maintaining the DHS-138/2362's in alpha order by fiscal year will create an audit trail to the DHS-61 log.

WE RECOMMEND that the Warren District maintain the DHS-138/2362's in alpha or case number order in the permanent file.

Macomb DHS Response: In accordance Accounting Manual Item 462 the local office will maintain the DHS 138/2362's in alpha order in a permanent file.

Auditor Follow-up: The district is filing the DHS-138/2362's in alpha order.

Warrants Maintained for More Than 10 Days

24. The Warren District is maintaining returned state warrants for more than 10 working days. Accounting Manual Item 462 requires returned warrants to be disposed of within 10 working days from the date the worker is notified.

WE RECOMMEND that the Warren District dispose of returned state warrants that have been on hand more than 10 working days.

Macomb DHS Response: In accordance with Accounting Manual Item 462, the local office will dispose of returned state warrants that have been on hand more than 10 working days.

Auditor Follow-up: The fiscal clerk is disposing of returned state warrants within 10 working days.

Rewriting the DHS-61 Log

25. The Warren District fiscal clerk is rewriting the Daily Record and Disposition of Checks/Warrants/EBT Cards (DHS-61) for negotiables received through the mail. Accounting Manual Item 431 states that items received through the mail are to be recorded on the Daily Mail Record of Cash Receipts for Deposit (DHS-4729) and DHS-61. A copy of each of these logs is to be maintained by the mail room staff and

the original logs are to be taken to the fiscal office. Rewriting these logs does not create a reliable audit trail.

WE RECOMMEND that Warren District follow Accounting Manual Item 431 and make a copy rather than rewrite the mail logs.

Macomb Co. DHS Response: In accordance with Accounting Manual Item 431 the local office fiscal clerk has ceased rewriting the DHS 61 logs.

Auditor Follow-up: The fiscal clerk continues rewriting the mail logs when checks for deposit are forwarded to central accounting.

Field Receipts not Forwarded to Central Accounting

26. The Warren District did not forward the field receipt with funds received to the Central Accounting as required by Accounting Manual Item 432. Forwarding the field receipt with the funds received to Central Accounting will provide the necessary audit trail for the funds.

WE RECOMMEND that the Warren District forward the corresponding field receipts with funds received to the Central Accounting.

Macomb DHS Response: In accordance with Accounting Manual Item 432 the local office fiscal clerk will forward a field receipt with funds received to the Central Accounting office.

Auditor Follow-up: The yellow copy of the field receipt was not being forwarded to central accounting with the negotiables.

Direct Support Services

Missing Documentation

27. The Warren District did not have complete information for seven out of the 12 cases reviewed for Direct Supportive Services. Two of the 12 cases reviewed were missing the Employment and Training Expenditure Authorization (DHS-4663), 3 cases were missing the Support Services/Determination Form, DHS-4729, one case lacked a copy of the customer's valid driver's license, and one case was missing an invoice for the car repair. Program Eligibility Manual Item 232 states that the client must own the vehicle being repaired, and the local office must retain appropriate case documentation for all payments.

WE RECOMMEND the Warren District obtain the appropriate case file documentation to support all Direct Supportive Services payments for vehicle repairs and purchases.

Macomb DHS Response: The local office staff will obtain the appropriate case file documentation to support all Direct Supportive Services.

Auditor Follow-up: The program manager stated that she checks the case for the Director Supportive Services packet to ensure that all the appropriate forms are on file when she is reconciling the MA-010 Report. She informed the FIM's to let their staff know what forms are required to be in the case for vehicle repair and purchase.

CIMS/ASSIST Security Agreements and Enrollment Profiles

CIMS Security Agreements

28. The Warren District did not have accurate, up-to-date CIMS Security Agreements (DHS-3974A) on file for all employees who access the Client Information

Management System (CIMS), as required by L-Letter 97-063. Five out of 80 employees did not have a DHS-3974A on file, and 24 had a status code indicated on the DHS-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011). Twelve employees had obsolete forms or forms where corrections were made by crossing out old status codes. An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with their CIMS access, and that the supervisor approves the level of CIMS access.

WE RECOMMEND that the Warren District ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

Macomb DHS Response: Current DHS-3974's have been reconciled against the most current PF-011 and are now in agreement with assigned Operator Status Codes for all employees. The Security Officer is now monitoring the PD-180 to ensure ongoing compliance.

Auditor Follow-up: The CIMS Security Agreements have not been corrected.

ASSIST Enrollment Profiles and ASSIST Security Agreements

29. The Warren District did not have accurate, up-to-date ASSIST Enrollment Profiles (DHS-3720) or ASSIST Security Agreements (DHS-3721) on file for all employees, as required by L-Letter 97-156. Ten out of 78 employees did not have a DHS-3720 on file and 4 employees had unsigned Enrollment Profiles. For 23 of the ASSIST Enrollment Profiles we reviewed, the job types indicated on the DHS-3720 did not agree with the current job types listed on the Monthly User Listing, ASSIST Report Number VB9-554. Twenty-five out of 78 employees did not have a DHS-3721 on file and 9 had unsigned Security Agreements.

WE RECOMMEND that the Warren District ensure that accurate, up-to-date Enrollment Profiles (DHS-3720's) and ASSIST Security Agreements (DHS-3721) are on file for all employees who have access to ASSIST.

Macomb DHS Response: DHS-3720's and DHS 3721's have been reconciled against the most recent VB9-554 to ensure that they are accurate and up to date for all employees. The Security Officer is now monitoring the VB9-173/163 to ensure ongoing compliance.

Auditor Follow-up: Not all of the ASSIST Enrollment Profiles and the ASSIST Security Agreements have been corrected.

VB9-163 Violation Report and VB9-173, Security Officer's Report

30. The Warren District did not properly separate the duties of the Security Coordinator and the Security Officer. The Violation Report (VB9-163) and Security Officer's Report is received by the Security Coordinator who is the same person who initiates the enrollment and disenrollment of users, resets passwords, and unlocks user I.D.'s. Reconciliation of these reports by an independent person would help to ensure that all changes made are accurate and approved by supervision.

WE RECOMMEND that the Warren District have an independent person reconcile the Security Officers' Reports.

Macomb DHS Response: The local office Administrative Services Manager is now responsible for reconciling the Security Officer's Reports.

Auditor Follow-up: The auditor was informed that the Administrative Services Manager is receiving and reconciling the VB9-173/163 reports.

Security Officer's Log Report (PD-180)

31. The Warren District did review the CIMS Security Officer's Log Report (PD-180), but did not compare it to the updated Security Agreements (DHS-3974A's), as recommended by the Primary Internal Control Criteria for DHS Local/District Offices. Comparison of the updated CIMS Security Agreement against the PD-180 report helps to ensure that all changes made are accurate and approved by supervision.

WE RECOMMEND that the Warren District reconcile the PD-180 report to the revised CIMS Security Agreements.

Macomb DHS Response: The local office Administrative Services Manager is now reconciling the PF-180 report against all revised CIMS Security Agreements.

Auditor Follow-up: The auditor was informed that the Administrative Services Manager is receiving and reconciling the PD-180.

MA-010 Reconciliation - Supplemental Payments

32. The Warren District did not reconcile a sample of the Supplemental Payments listed on the Transaction Control Listing (MA-010) to the Supplemental Payment Authorization and other supporting documentation, as recommended by the Primary Internal Control Criteria for DHS Local/District Office Operations. We were informed by the FIM's that the supplemental payments were reconciled only if they were an ampersand case. Reconciling the Supplemental Payments on a sample basis helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that the Warren District reconcile a sample of the Supplemental Payments on the MA-010 to the DHS-13's and other supporting documentation.

Macomb DHS Response: The local office Program Manager is now reconciling a sampling of Supplemental Payments on the MA-010 to the DHS 13's and other supporting documentation on an ongoing basis.

Auditor Follow-up: The Program Manager reconciles the SP-270 for supplemental payments if they are over \$1,000, and the FIM's reconcile the other Supplemental Payments on the MA-010.

Children's Protective Services

Missing Updated Service Plan (DHS-152)

33. The Warren District did not prepare an Updated Service Plan (DHS-152) for one out of 17 cases reviewed. The Updated Service Plan is used to evaluate the progress of the case and any other services that may be necessary. Children's Protective Services Manual CFP-712-8 states that the service packet is to contain the DHS-152, Updated Service Plan. Preparing the required forms will help to ensure that the local office is providing appropriate services to at-risk children.

WE RECOMMEND the Warren District complete the DHS-152 on a timely basis for all children.

Macomb DHS Response: In accordance with Children's Protective Services Manual CFP-712-8 the local office is completed the required DHS-152's for all children serviced.

Auditor Follow-up: The USP was prepared and filed in the case, corrective action was taken.

Sterling Heights District

Payroll and Timekeeping

Reconciliation of HR-332A (B) Turnaround Report

34. The Sterling Heights District did not reconcile the turnaround Time and Attendance Summary Report (HR-332A) to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Sterling Heights District reconcile the turnaround HR-332A report to the original HR-332A report.

NOTE: Corrective action taken while the auditor was on site

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Missing Time Sheet and Payroll Information

35. The Sterling Heights District had one missing time sheet, 6 timesheets that were not signed by the supervisor, and 2 timesheets that were not signed by the employee for the two pay periods we reviewed. In addition, one of the two HR-332A's we reviewed was not signed by the certifier before the time was released. The Primary Internal Control Criteria recommends that employees accurately complete the biweekly timesheet, the supervisors approve their employees' time sheets, and the certifier sign the HR-332A before the time is released. These procedures help to ensure accurate reporting of employee time and attendance.

WE RECOMMEND that the Sterling Heights District timekeeper ensure that all time sheets are prepared, signed and dated by the employee and supervisor, and that time is not released until after the certifier signs the HR-332A.

Macomb DHS Response: Time sheets identified by the auditor were signed and certified. Timesheets are reviewed for signatures and dates of employees and supervisors prior to entry. These actions are taken by the timekeeper.

Auditor Follow-up: The missing time sheet was located and filed with the timesheets. All unsigned time sheets were signed and dated by the supervisor and employees. The certifier has signed the payroll that was unsigned at the time of the audit, and the certifier will ensure that all reviewed HR-332A's are signed and dated.

Independent File for the Certified HR-332A Report

36. The Sterling Heights District timekeeper maintained the timesheets and HR-332A reports. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A report until after the reconciliation to the turnaround report is completed. Having an independent person retain the file helps to ensure that any changes made after the certifier signs the HR-332A would be detected.

WE RECOMMEND that the Sterling Heights District have the certifier or an independent person retain the HR-332A report until the payroll is reconciled a week after the payroll is prepared.

NOTE: Corrective action taken while auditor was on site

State Emergency Relief

Supporting Documentation for Payments

37. The Sterling Heights District did not follow the established procedures for State Emergency Relief (SER) payments submitted to the fiscal office for reconciliation with the DHS-849, 93(A) Issuance Report (ES-440). Sixty-two payments out of 78 payments reviewed were supported with a copy of the bill instead of the original bill/invoice. Accounting Manual Item 404 requires that the original vendor invoice/bill be attached to the Accounting Office copy. Attaching the original invoice/bill to the fiscal office copy of the DHS-849 helps prevent duplicate payments.

WE RECOMMEND the Sterling Heights District attach the original invoice/bill to the fiscal office copy of the Authorization Invoice (DHS-849).

NOTE: Corrective action taken while auditor was on site.

Payment Authorization Permanent Files

38. The Sterling Heights District did not maintain a file of Medical Services Authorization/Invoices (DHS-93A) in alphabetical or case number order by year, as required by Accounting Manual Item 404. Maintaining DHS-93A's in alphabetical or case number order provides an audit trail to easily detect how many medical services payments a client has received, and makes the DHS-93A's easy to retrieve if needed at a later date.

WE RECOMMEND that the Sterling Heights District maintain a permanent file of Medical Services Authorization/Invoices in alpha or case number order.

Macomb DHS Response: DHS-93's are maintained in an alpha file. An Administrative Support person has the responsibility.

Auditor Follow-up: The DHS-93's are now filed in alpha order in the fiscal area.

CIMS/ASSIST Security

CIMS Security Agreements

39. The Sterling Heights District did not have accurate, up-to-date CIMS Security Agreements (DHS-3974A) on file for all employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. The status code indicated on the DHS-3974A did not agree with the current status code listed on the Operator Identification Report (PF-011) for 40 of the 104 employees listed on the report. In addition, 6 employees needed a new CIMS Security Agreement because theirs were obsolete or had changes that were made by crossing out old status codes. Three CIMS Security Agreements were not signed by the supervisor. An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with their CIMS access, and that the supervisor approves the level of CIMS access.

WE RECOMMEND that the Sterling Heights District ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

NOTE: Corrective action taken while the auditor was on site.

ASSIST Enrollment Profiles and Security Agreements

40. The Sterling Heights District did not have accurate, up-to-date ASSIST Enrollment Profiles (DHS-3720) or ASSIST Security Agreements (DHS-3721) on file for all employees, as required by L-Letter 97-156. Three out of 102 employees did not

have a DHS-3720 on file and 35 had job types indicated on the DHS-3720 that did not agree with the current job types listed on the Monthly User Listing, ASSIST Report Number VB9-554. Also, one employee did not have a DHS-3721 on file. Accurate, up-to-date ASSIST Enrollment Profiles and Security Agreements are necessary to ensure that employees understand the responsibilities associated with their ASSIST access rights.

WE RECOMMEND that the Sterling Heights District ensure that accurate, up-to-date ASSIST Enrollment Profiles (DHS-3720's) and ASSIST Security Agreements (DHS-3721) are on file for all employees who have access to ASSIST.

NOTE: Corrective Action taken while the Auditor was on Site

Security Officer's Log Report (PD-180)

41. The Sterling Heights District reviewed the CIMS Security Officer's Log Report (PD-180), but did not reconcile it to the Security Agreements (DHS-3974A's). The Primary Internal Control Criteria for Local/District Office Operation recommends that the Security Officer reconcile the updated CIMS Security Agreement to the PD-180 report to ensure that any changes made to an employee's job status is properly reflected on the Security Agreement. Reconciliation of these reports ensures that all changes made are accurate and approved by supervision.

WE RECOMMEND that the Sterling Heights District reconcile the PD-180 report to revised CIMS Security Agreement.

Macomb DHS Response: The PD-180 report and the CIMS Security Agreements are reconciled. The Section Manager is the responsible person.

Auditor Follow-up: The District Manager is currently reconciling the PD-180 report because the Section Manager position is vacant

SP-270 Reconciliation - Supplemental Payments

42. The Sterling Heights District did not reconcile the Supplemental Payments listed FIP Supplemental Payment Report (SP-270) to the Supplemental Payment Authorization (DHS-13) and other supporting documentation, as recommended by the Primary Internal Control Criteria for DHS Local/District Office Operations. However, the District Manager is reviewing all the supplemental payments on the SP-270 report to check for unusual or high amounts. The fiscal clerk receives the DHS-13, but does not receive the SP-270 report to reconcile the transaction. Reconciling the Supplemental Payments helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that the Sterling Heights District reconcile the Supplemental Payments on the SP-270 to the DHS-13's and other supporting documentation.

Macomb DHS Response: A copy of the SP-270 report is filed with the screen copies of the supplemental transactions. The SP-270 is reviewed on a monthly basis. Authorizations of \$1000 or more along with any other unusual authorizations are verified against appropriate case record documentation. This review is conducted by the District Manager.

Auditor Follow-up: The fiscal clerk (Beth) is still not receiving all the DHS-13's or screen dumps to file.

Cash Receipts

DHS-61 Log

43. The Sterling Heights District did not have the two mail clerks who open the mail prepare the Daily Record and Disposition of Checks/Warrants/EBT Cards (DHS-61). Instead the clerk who received the negotiables from the mail clerks and prepared the Action Taken on State Treasurer's Warrants by Local Offices (DHS-138) and Service Warrant Rewrite/Disposition Requests (DHS-2362) prepared the DHS-61 log. After this clerk prepared the DHS-61, the mail clerks signed and dated it. The DHS-61 should be prepared by the mail clerks to ensure that all negotiable items received in the mail are properly recorded and accounted for.

WE RECOMMEND that the Sterling Heights District have the two mail clerks prepare and sign the DHS-61 log when they are opening the mail.

Macomb DHS Response: Two clerks prepare and sign the DHS-61 log for returned warrants and EBT cards.

Auditor Follow-up: Two people open the mail together and log the returned warrants on the DHS-61 log.

DHS-4729 not Being Used

44. The Sterling Heights District did not use the DHS-4729, to record checks for deposit when received in the mail. Instead, they used the Record and Disposition of Checks/Warrants (DHS-61), to record all items received in the mail. Accounting Manual Item 431 requires that the DHS-4729 be used for items for deposit that are received in the mail.

WE RECOMMEND that the Sterling Heights District record checks for deposit on the DHS-4729 instead of the DHS-61.

Macomb DHS Response: Checks for deposit are recorded on the DHS-4729 by an administrative support staff person.

Auditor Follow-up: The District Office is now using the DHS-4729 to record checks received for deposit.

Field Receipts not Forwarded to Central Accounting

45. The Sterling Heights District did not forward the field receipt with funds received to the Central Accounting as required by Accounting Manual Item 432. Forwarding the field receipt with the funds received to Central Accounting will provide the necessary audit trail for the funds.

WE RECOMMEND that the Sterling Heights District forward the corresponding field receipts with funds received to the Central Accounting.

Macomb DHS Response: The yellow copy of the Field receipt will be forwarded with the funds to the cashier in Central Accounting. This is the responsibility of an administrative support staff person.

Auditor Follow-up: For all funds received, a field receipt is prepared and the yellow copy of the field receipt and the funds are forwarded to central accounting for processing.

Direct Support Services

Missing Documentation

46. The Sterling Heights District did not have complete information for six out of the 11 cases reviewed for Direct Supportive Services. One case was missing a valid driver's license for a car repair, one case was missing proof of ownership for a car repair and 4 cases were missing the Support Services/Determination Form, DHS-4749. Program Eligibility Manual Item 232 states that the client must have proof of ownership, and have a valid driver's license for all vehicle repairs. Also, there was one case where the Sterling Heights District made a payment for day care services at Work First and the incorrect rate was paid.

WE RECOMMEND the Sterling Heights District obtain the appropriate case file documentation to support all Direct Supportive Services for vehicle repairs and purchases, and ensure that they pay the correct rate for day care services.

Corrective Action while Auditor was on site: During the audit, in one case the proof of ownership was obtained, and recoupment was being processed for the overpaid childcare.

Macomb DHS Response: Documentation requirements discussed in staff meetings. Note: 1) A valid driver's license is not required for a car repair per PEM 232 so that one of the errors cited is incorrect. 2) Proof of ownership for the car repair was obtained and filed in the record. 3) The day care overpayment was recouped.

Auditor Follow-up: The staff meeting notes of January 18, 2005 indicate that they discussed the appropriate case file documentation necessary for vehicle repair and purchase payments.

Mt. Clemens District

Payroll and Timekeeping

Reconciliation of HR-332A (B) Turnaround Report

47. The Mt. Clemens District did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Mt. Clemens District reconcile the turnaround HR-332A report to the original HR-332A report.

Macomb DHS Response: A Section Manager will reconcile the turnaround HR-332A as recommended.

Auditor Follow-up: The turnaround payroll report HR-332A is now being reconciled by the Administrative Services Manager.

Time Released Prior to Certification

48. The Mt. Clemens District timekeeper was releasing the time in DCDS prior to the time being reviewed and certified. Primary Internal Control Criteria for Local Offices indicates the time is to be certified then released to DCDS.

WE RECOMMEND that the Mt. Clemens District timekeeper release the time after it has been reviewed and certified.

Macomb DHS Response: The timekeeper will release the report to DCDS after it has been reviewed and certified.

Auditor Follow-up: The time is certified prior to being released on DCDS per the timekeeper.

Independent File for the Certified HR-332A Report

49. The Mt. Clemens District timekeeper maintains the timesheets and HR-332A reports. The Primary Internal Control Criteria for Local/District Office Operations recommends that the district office retain the HR-332A report in a file independent of the timekeeper.

WE RECOMMEND that the Mt. Clemens District retain the timesheets and HR-332A report in a file independent of the timekeeper until the payroll is reconciled a week after the payroll is prepared.

Macomb DHS Response: The Administrative Services Manager will maintain the timesheets and the HR-332A report until the payroll has been reconciled.

Auditor Follow-up: The current payroll is kept in an independent file drawer until it is reconciled.

CIMS/ASSIST Security

CIMS Security Agreements

50. The Mt. Clemens District did not have accurate, up-to-date CIMS Security Agreements (DHS-3974A) on file for 29 out of 94 employees who access the Client

Information Management System (CIMS), as required by L-Letter 97-063. One employee had a status code indicated on the DHS-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011), and 28 agreements need updating. An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with their CIMS access, and that the supervisor approves the level of CIMS access.

WE RECOMMEND that the Mt. Clemens District ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

NOTE: Corrective Action taken while the auditor was on site

SP-270 Reconciliation - Supplemental Payments

51. The Mt. Clemens District did not reconcile the Supplemental Payments listed on the Supplemental Payments Listing (SP-270) or the Transaction Control Report (MA-010) report to the Supplemental Payment Authorization (DHS-13) and other supporting documentation, as recommended by the Primary Internal Control Criteria for DHS Local/District Office Operations. Reconciling the Supplemental Payments helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that the Mt. Clemens District reconcile the Supplemental Payments on the SP-270 or the MA-010 to the DHS-13's and other supporting documentation.

Macomb DHS Response: The District Fiscal clerk will receive the MA – 010. The clerk will reconcile the SP- 270/MA-010 to the FIA-13's and ensure there is supporting documentation.

Auditor Follow-up: The fiscal clerk receives the MA-010 report and reconciles the FIA-13 and the budget to the transaction amount. She also receives the SP-270 report. We noted the items on the SP-270 were checked off as if they were reconciled and filed. However, we could not locate the DHS-13's that were listed on the SP-270.

Supplemental Payments

52. The Mt. Clemens District did not maintain a permanent file of supplemental payments in alpha order by fiscal year, as required by Accounting Manual Item 431. Maintaining a permanent file will help to determine how many supplemental payments one client has received in a year, and will make the forms easy to retrieve, if needed at a later date.

WE RECOMMEND Mt. Clemens District maintain the permanent file of supplemental payments in alpha order by fiscal year.

Macomb DHS Response: Supplemental payments are filed in alpha order by fiscal year by the District fiscal clerk.

Auditor Follow-up: There DHS-13 file is now set up in alpha order.

Direct Support Services

Missing Documentation

53. The Mt. Clemens District did not have complete information for 6 out of the 10 cases we reviewed for Direct Supportive Services. One case was missing a valid driver's license, one case was missing an Application (DHS-1171) for the time period in which a vehicle was purchased, and 4 cases were missing the Support Services/Determination Form, DHS-4749. Program Eligibility Manual Item 232 states that the client must have an application, a valid driver's license and a DHS-4749 for vehicle repairs and purchases.

WE RECOMMEND the Mt. Clemens District obtain the appropriate case file documentation to support all Direct Supportive Services for vehicle repairs and purchases.

Macomb DHS Response: The District will obtain appropriate documentation and ensure it is in the case file to support all Direct Supportive Services actions.

Auditor Follow-up: The services supervisor met with the FIM's and discussed the audit finding and that staff need to be made aware of the required forms necessary to support payments made for vehicle repair and purchases.

State Emergency Relief

Supporting Documentation for Payments

54. The Mt. Clemens District did not follow the established procedures for State Emergency Relief (SER) payments submitted to the fiscal office for reconciliation with the DHS-849, 93(A) Issuance Report (ES-440). We reviewed 103 payments, and found that 77 of them were unsupported or supported with a copy of the bill instead of the original bill/invoice. Accounting Manual Item 404 requires that the

original vendor invoice/bill be attached to the Accounting Office copy. Attaching the original invoice/bill for the amount to be paid to the Fiscal Office copy of the DHS-849 helps prevent duplicate payments.

WE RECOMMEND the Mt. Clemens District attach the original invoice/bill to the fiscal office copy of the Authorization Invoice (DHS-849).

Macomb DHS Response: Original bills/invoices are attached to the DHS-849 and will be sent to the District fiscal clerk for reconciliation and to verify all information is entered on the DHS-849.

Auditor Follow-up: We reviewed a sample of current DHS-849 payments and found original documentation attached .

Payment Authorization Permanent Files

55. The Mt. Clemens District did not maintain a file of Medical Authorization/Invoices (DHS-93A) in alphabetical or case number order by year, as required by Accounting Manual Item 404. Maintaining DHS-93A's in alphabetical or case number order provides an audit trail to easily detect how many medical services payments a client has received, and makes the DHS-93A's easy to retrieve if needed at a later date.

WE RECOMMEND that the Mt. Clemens District maintain a permanent file of Medical Authorization/Invoices in alpha or case number order.

Macomb DHS Response: The District Fiscal clerk will keep all reconciled DHS-93A's in alphabetical order.

Auditor Follow-up: The DHS-93 permanent file is in alpha order.

Safe and Controlled Documents

Physical Inventory of Controlled Documents

56. The Mt. Clemens District did not perform a physical inventory of controlled documents at the time the Monthly Physical Inventory and Reconciliation of Controlled Documents (DHS-4351) was prepared. Accounting Manual Item 403 states that a physical inventory is to be performed when the (DHS-4351) is prepared. The physical inventory provides assurance that the documents listed on the inventory are actually on hand.

WE RECOMMEND that the Mt. Clemens District perform a physical inventory of controlled documents when the DHS-4351 is prepared.

Macomb DHS Response: The District Fiscal clerk will perform a physical inventory of controlled documents monthly when the DHS-4351 is prepared.

Auditor Follow-up: The fiscal clerk performs a physical inventory of documents and the administrative services manager performs the monthly reconciliation.

Cash Receipts

DHS-4729 not Being Used

57. The Mt. Clemens District did not use the Daily Mail Record of Cash Receipts for Deposit (DHS-4729) to record checks for deposit when received in the mail, as required by Accounting Manual Item 431. Instead, they used the Record and Disposition of Checks/Warrants/EBT Cards (DHS-61) to record all items received in the mail.

WE RECOMMEND that the Mt. Clemens District record checks for deposit on the DHS-4729 instead of the DHS-61.

Macomb DHS Response: All Checks for deposit are recorded on the DHS-4729 by mail personnel.

Auditor Follow-up: The District is now preparing the DHS-4729 for all negotiables received for deposit.

Disposition of a Check

58. The Mt. Clemens District had one check on hand dated July 2004 for a repayment of a foster care over payment. Accounting Manual Item 431 states that checks received for deposit are to be disposed of in a timely manner. Disposing of checks timely will reduce the risk of loss.

WE RECOMMEND that the Mt. Clemens District dispose of checks received for deposit in a timely manner.

NOTE: Corrective action taken while the auditor was on site.

Permanent File of DHS-138/2362's

59. The Mt. Clemens District did not maintain the permanent file of DHS-138's and DHS-2362's in alpha or case number order, as required by Accounting Manual Item 431. Instead the district was maintaining the DHS-138/2362's in a folder with the latest dated material on the top. Maintaining the DHS-138/2362's in alpha order by fiscal year will create an audit trail to the DHS-61 log.

WE RECOMMEND that the Mt. Clemens District maintain the DHS-138/2362's in alpha or case number order in the permanent file.

Macomb DHS Response: The District fiscal clerk will maintain all FIS-138/2362's in alphabetical order.

Auditor Follow-up: The permanent file of DHS-138/2362's are kept in alpha order.

Mail Opening

60. The Mt. Clemens District did not open supervisors' mail. As a result, supervisors were sometimes receiving returned warrants, checks, or money orders, and these documents are not being properly accounted for. Accounting Manual item 431 states that all U.S. mail is to be opened by 2 people who log all negotiables received in the mail. Allowing supervisors and workers to handle negotiables increases the risk of loss.

WE RECOMMEND that the Mt. Clemens District mail clerk open all mail received.

Macomb DHS Response: The mail clerk will open all mail and properly record all negotiables.

Auditor Follow-up: All mail is being properly opened and processed. All negotiables are properly disposed of.

Releasing Negotiables to Worker for Disposition

61. The Mt. Clemens District fiscal clerk released a money order to a worker for disposition. This money order was a reimbursement to the Juvenile Courts. Accounting Manual Item 462 requires that a DHS-138 (Action Taken on State Treasurer's Warrants by Local Offices) be completed and forwarded to the specialist

for disposition information, and that the fiscal unit is to dispose of the checks/warrants in accordance with the specialist's instructions. Having the accounting clerk responsible for all negotiables helps reduce the risk of loss or incorrect disposition of the item.

WE RECOMMEND that the Mt. Clemens District require the fiscal clerk to handle the disposition of all negotiables received by the District.

Macomb DHS Response: The fiscal clerk is aware that no negotiable document may be released to a worker and will dispose of all negotiables.

Auditor Follow-up: The staff was informed that negotiables are not to be released to workers for disposition. All mail is now opened in the mailroom and negotiables are properly recorded and disposed of.

Field Receipts not Forwarded to Central Accounting

62. The Mt. Clemens District did not forward the field receipt with funds received to Central Accounting, as required by Accounting Manual Item 432. Forwarding the field receipt with the funds received to Central Accounting will provide the necessary audit trail for the funds.

WE RECOMMEND that the Mt. Clemens District forward the corresponding field receipts with funds received to the Central Accounting.

Macomb DHS Response: The fiscal clerk will begin to forward the field receipts with funds received to Central Administration – Accounting.

Auditor Follow-up: The yellow copy of the field receipt is being forwarded to central accounting with the negotiable documents for deposit.